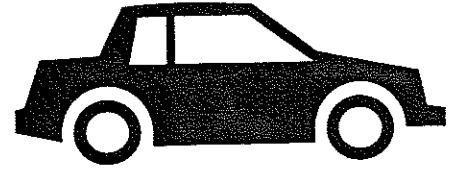


Buying Your First Car

Buying a car is a big decision. There are a lot of factors to consider: cost, make, model, year, loan amount, monthly payments, maintenance costs, and operating costs, to name a few. It sounds complicated, but if you attack the problem with an organized plan, you will be able to make a well-informed decision. Follow the steps below, and you will be well on your way to being ready to buy your first car.



Choose Your Car

Many young people start out by buying a used car, so for this activity you will consider only used cars. Some of you may already have a specific make, model, and year picked out, but for those of you who are not sure what kind of car you want, visit one of the Web sites below and select at least three different used cars.

Edmunds Microsoft CarPoint
<http://www.edmunds.com> <http://carpoint.msn.com>

The three cars I selected are (list make, model, and year):

Book Value

When you are buying a car, it is important to know how much the car *should* cost. Most people refer to this cost a "book value." To find out how much the cars you selected should cost, you can consult a buying guide, such as *Edmunds* or the *Kelly Blue Book*. Go to the Web pages below. Find out the book values for the cars you selected. List the book values in the table below.

Edmunds Kelly Blue Book
<http://www.edmunds.com> <http://www.kbb.com>

| Car Make, Model, and Year | Edmunds Price | Kelly Blue Book Price |
|---------------------------|---------------|-----------------------|
| | | |
| | | |
| | | |

(continued)



Buying Your First Car *(continued)*

Actual Cost

Knowing the book value for your cars is only half the story. You also need to find out how much you can actually buy the cars for. To do this, use the classified ads in newspapers around the country. Locate newspapers at the Web site below. Locate as many of the cars you selected as you can in these ads. You must get information from at least 10 different newspapers. Find as many cars of the same model and year as you can in each paper. Try to find 20 prices for each of the three cars you are considering. List the car prices and the names of the newspapers in the table labeled "Car Prices" at the end of this handout.

Newspapers

<http://www.central.edu/Library/etexts.htm>

Evaluate the Cost

1. Use the price data you collected for each car to find the mean, median, mode, and range for the prices of each vehicle. List the amounts below.

| | 1 | 2 | 3 |
|--------------|---|---|---|
| Car Name | | | |
| Mean Price | | | |
| Median Price | | | |
| Mode Price | | | |
| Price Range | | | |

2. How do the actual selling prices you found compare with the car's book value? Explain.

3. On a separate sheet of paper, organize the price data you collected and create a box and whisker plot for the prices of one of the cars.

Car Loans

Most people need to borrow money to buy a car. Before you take out a loan, you need to know the annual percentage rate and the terms of the loan. Visit at least five banks or credit unions on the Internet. Find out their used car loan rates. To find a bank or credit union, you can search for a specific institution, make a more generic search for "banks" or "credit

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Name _____ Date _____

Buying Your First Car *(continued)*

unions," or use the Web site below to find lending institutions in your state. Record your results in the table.

Used Car Loans by State
<http://www.bankrate.com/edm/bankrate.htm>

| Bank or Credit Union | Annual Percentage Rate (APR) | Number of Months |
|----------------------|------------------------------|------------------|
| | | |
| | | |
| | | |
| | | |
| | | |

Using the information you collected from the banks and credit unions, find your monthly loan payments. To find your monthly loan amounts, go to the Web site listed below. Assume that you will put no money down.

Car Loan Calculator
<http://www.edmunds.com/edweb/loan/calculator.html>

| Name of Car | Loan Amount | Terms | Monthly Payment |
|-------------|-------------|-------|-----------------|
| | | | |
| | | | |
| | | | |

2. Go back to the monthly loan calculator. For each loan, decrease the number of years by one. How does the decrease in the number of years affect the amount of the monthly loan payments?

3. Go back to the monthly loan calculator. Increase the annual percentage rate by one percentage point. How does the increase in the annual percentage rate affect the amount of the monthly loan payments?

4. Explain which of the cars is the best deal.

(continued)



Name

Date _____

Buying Your First Car

Car Prices

[illegible]